

KENTUCKY ECONOMIC INDICATORS

November 2004 Indicators as of February 2, 2005

KY Composite Index of Leading Indicators increased 0.4 percent for November.

- The Leading Index increased for the eighth time this year.
- The Leading Index rose by 0.8 percent over the same month last year.
- Component indicators leaned positive, gainers over losers 4:1.
 - + KY Labor Intensity Index increased 0.3 percent.
 - + The US Leading Index increased 3.2 percent.
 - The Index of KY Initial Claims decreased 7.0 percent.
 - + US Retail Sales increased 0.8 percent.
 - + The Louisville Help Wanted Index increased by 1 point to 42.

Component weights for November are 49.59, 23.56, 14.77, 10.38 and 1.69 respectively.

KY Composite Index of Coincident Indicators increased 1.4 percent for November.

- The Coincident Index increased for the second consecutive month.
- Same-month-last-year growth is positive for the sixteenth consecutive month at 1.9 percent.
- Component indicators were strongly positive, gainers over losers 3:0.
 - + KY Total Nonagricultural Employment increased 0.5 percent.
 - + US Industrial Production Index increased 2.6 percent.
 - + US Personal Income Less Transfers increased 1.7 percent.

Component weights for November are 31.68, 29.08 and 28.69 respectively. Component weights do not sum to one because the two US components were discounted to allow the Kentucky component more weight.

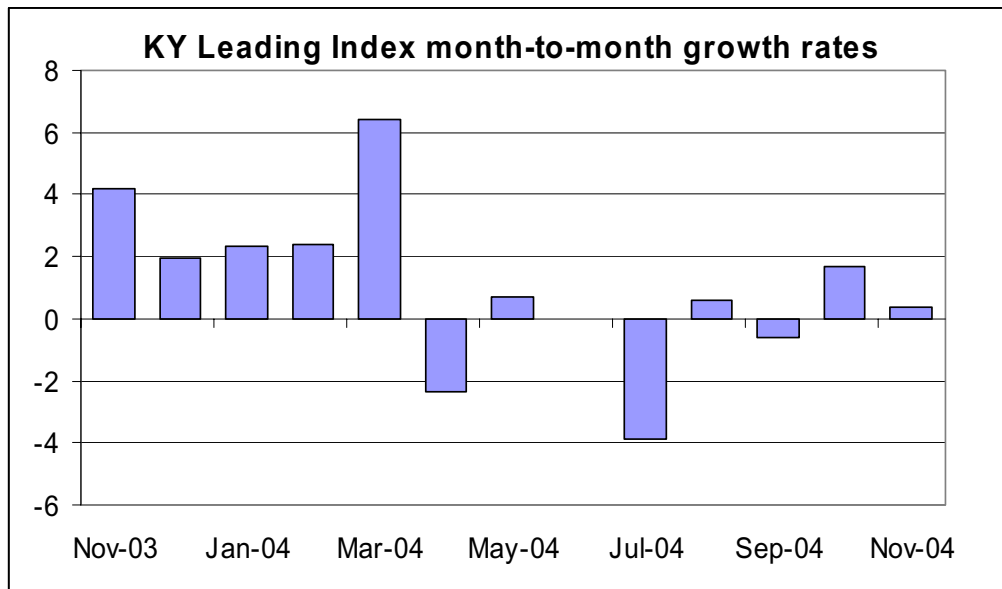
The Kentucky Leading Index was positive for the second consecutive month. November marks the eighth consecutive month of lackluster or marginal growth in the Kentucky Leading Index. The US Leading Index was positive for the first time in six months. This is a good sign for both the Kentucky Leading Index and for the US economy. The US variables have been a drag on the Kentucky index for most of 2004.

Four of the five Kentucky Leading Index components were positive for November. This continues a trend of generally positive movement in all of the Kentucky measures. The Index of Kentucky Initial Claims was strongly negative which hurt the otherwise positive position in the Kentucky economy.

Employment growth in the Kentucky Nonagricultural sector tapered its growth in November, but continued its month-over-same-month-last-year growth trend. This is the first time that Kentucky Nonagricultural Employment has broken the 1.8 million mark since June of 2001. Moderate losses in Manufacturing Employment did not hurt the Kentucky Labor Intensity Index in November. The Kentucky Labor Intensity Index is made of up five selected industries in manufacturing. Average Weekly Hours in our five selected manufacturing sectors split for November, two declining, two increasing and one remaining constant. Meanwhile, employment in four of the five sectors surged. Employment declined only in Transportation Equipment by 400 jobs. There is still no sign of improvement in Kentucky Manufacturing overall.

General Fund Tax Receipts surged for the tenth consecutive month. Total tax receipts reached \$587 million for November 2004. This is a considerable increase even for a recovery year. The pre-recession November total in 1999 was \$509 million. This is a 15.5 percent increase over the November total.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

Office of State Budget Director

Room 284, Capitol Annex
Phone: 502-564-7300 - taj@mail.state.ky.gov

Frankfort, Kentucky 40601-3453

SELECTED KENTUCKY ECONOMIC INDICATORS SEASONALLY ADJUSTED

2003

2004

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
KY Leading Index (1992=100)	111.8	112.0	112.2	112.4	113.0	112.8	112.9	112.9	112.5	112.5	112.5	112.6	112.7
% Chg Previous Month SAAR	4.2	2.0	2.3	2.4	6.4	-2.3	0.7	0.0	-3.9	0.6	-0.6	1.7	0.4
% Chg Same Month Last Year	1.1	1.4	1.5	1.8	2.7	2.6	2.5	2.2	1.4	1.2	0.6	1.1	0.8
KY Coincident Index (1992=100)	129.2	129.3	129.5	129.9	129.8	130.2	130.6	130.5	131.1	131.1	130.9	131.6	131.7
% Chg Previous Month SAAR	6.4	0.9	2.1	3.2	-0.6	3.7	3.3	-0.6	5.9	-0.1	-2.4	6.6	1.4
% Chg Same Month Last Year	1.2	1.5	1.6	1.9	1.9	2.5	2.5	2.3	2.7	2.6	2.0	2.3	1.9
KY Nonag Employment (000s)	1,786.4	1,785.7	1,793.4	1,788.2	1,788.1	1,788.1	1,788.4	1,792.0	1,800.7	1,797.1	1,792.0	1,799.8	1,800.6
% Chg Previous Month SAAR	0.8	-0.5	5.3	-3.4	-0.1	0.0	0.2	2.4	6.0	-2.4	-3.4	5.4	0.5
% Chg Same Month Last Year	-0.2	-0.2	0.4	0.4	0.3	0.4	0.4	0.7	1.4	1.0	0.5	0.8	0.8
KY Mfg Employment (000s)	265.8	266.1	266.9	265.8	265.8	264.1	264.5	264.5	259.0	262.9	263.6	263.3	262.8
% Chg Previous Month SAAR	-1.8	1.4	3.7	-4.8	0.0	-7.4	1.8	0.0	-22.3	19.6	3.2	-1.4	-2.3
% Chg Same Month Last Year	-2.0	-1.5	-1.0	-1.2	-0.6	-0.7	-0.4	-0.3	-2.2	-0.9	-0.6	-1.1	-1.1
KY Unemployment Rate (%)	6.0	6.0	5.3	5.3	5.5	5.4	5.4	5.5	5.3	5.1	4.7	4.8	4.5
KY Index of Initial UI Claims	101.2	101.3	101.7	101.4	102.4	102.3	102.4	102.7	101.7	101.9	102.4	102.9	102.3
% Chg Previous Month SAAR	2.5	1.0	5.3	-3.8	12.3	-1.2	1.4	2.9	-10.2	2.2	5.2	7.0	-7.0
% Chg Same Month Last Year	0.8	2.6	1.8	1.7	3.5	3.6	3.2	3.4	1.8	1.7	2.3	1.9	1.1
KY Labor Intensity Ind. (1992=100)	104.6	104.3	104.8	104.7	104.7	104.7	104.5	104.4	104.3	104.4	104.5	104.5	104.5
% Chg Previous Month SAAR	3.6	-3.4	4.9	-0.7	-0.6	0.7	-2.5	-1.0	-1.6	1.5	1.3	-0.1	0.3
% Chg Same Month Last Year	-0.2	-0.6	0.1	0.2	0.7	0.7	0.4	0.4	0.0	0.1	0.1	0.1	-0.1
Louisville HWI (1992=100)	49.0	57.0	50.0	55.0	56.0	51.0	48.0	51.0	45.0	47.0	40.0	41.0	42.0
% Chg Previous Month SAAR	-21.5	514.0	-79.2	213.8	24.1	-67.4	-51.7	107.0	-77.7	68.5	-85.6	34.5	33.5
% Chg Same Month Last Year	-14.0	7.5	-9.1	-8.3	-3.4	2.0	2.1	4.1	-10.0	0.0	-45.2	-18.0	-14.3
GF Total Tax Receipts (\$ mil)	531.1	676.1	583.1	462.6	509.3	721.1	479.5	633.7	519.1	513.4	655.0	563.6	587.9
% Chg Same Month Last Year	0.7	5.3	-8.2	10.2	16.3	3.5	15.1	2.6	10.2	11.7	4.1	6.3	10.7
GF Sales & Use Receipts (\$ mil)	199.0	207.9	249.5	164.0	185.0	217.5	205.6	199.7	226.1	211.7	206.6	224.0	201.1
% Chg Same Month Last Year	5.3	8.0	6.9	8.9	11.7	8.9	8.1	4.2	8.6	7.3	3.1	5.0	1.0
GF Income Tax Receipts (\$ mil)	224.0	247.6	207.2	217.3	142.0	366.6	189.6	270.2	224.2	245.2	272.2	249.9	230.2
% Chg Same Month Last Year	3.2	8.6	-28.8	6.1	21.4	3.4	19.8	0.8	8.5	9.4	-0.3	9.5	2.8

SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

2003

2004

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
US Leading Index (1982=100)	114.0	114.3	114.7	114.8	115.7	115.8	116.3	116.2	116.0	115.6	115.3	114.9	115.2
% Chg Previous Month SAAR	3.2	3.2	4.3	1.1	9.8	1.0	5.3	-1.0	-2.0	-4.1	-3.1	-4.1	3.2
% Chg Same Month Last Year	2.9	3.0	3.4	3.9	4.7	4.6	4.2	3.8	2.9	2.2	1.9	1.1	1.1
US Coincident Index (1992=100)	115.5	115.7	115.8	116.1	116.6	116.9	117.2	117.2	117.5	117.7	117.7	118.1	118.3
% Chg Previous Month SAAR	4.3	2.1	1.0	3.2	5.3	3.1	3.1	0.0	3.1	2.1	0.0	4.2	2.1
% Chg Same Month Last Year	1.2	1.6	1.5	2.0	2.5	2.8	2.8	2.5	2.5	2.8	2.5	2.6	2.4
US Nonag Employment (mil)	130.0	130.0	130.2	130.3	130.6	131.0	131.2	131.3	131.3	131.5	131.7	132.0	132.1
% Chg Previous Month SAAR	0.8	0.1	1.5	0.8	3.3	3.0	1.9	0.9	0.8	1.8	1.1	2.9	1.3
% Chg Same Month Last Year	-0.2	0.0	0.0	0.2	0.5	0.8	1.0	1.1	1.2	1.3	1.4	1.6	1.6
US Unemployment Rate (%)	5.9	5.7	5.7	5.6	5.7	5.5	5.6	5.6	5.5	5.4	5.4	5.5	5.4
US Initial Claims for UI (000s)	368.7	362.5	355.3	355.5	340.4	343.6	341.3	336.0	343.6	342.4	349.1	341.6	336.6
% Chg Previous Month SAAR	-35.0	-18.4	-21.4	0.7	-40.6	11.9	-7.7	-17.1	30.8	-4.1	26.2	-22.9	-16.2
% Chg Same Month Last Year	-6.4	-13.1	-10.1	-13.4	-19.0	-21.0	-19.4	-19.8	-14.0	-14.5	-12.6	-10.6	-8.7
US Industrial Production Index	112.7	112.9	113.2	114.4	114.1	114.7	115.5	115.1	115.9	116.0	115.7	116.6	116.8
% Chg Previous Month SAAR	12.5	2.5	3.6	13.5	-3.3	6.8	8.7	-4.2	8.8	1.1	-3.3	9.4	2.6
% Chg Same Month Last Year	1.3	2.0	2.1	3.1	3.2	4.7	5.4	4.7	4.8	5.0	3.9	4.5	3.7
US Personal Inc. Less Trans. (bil 92\$)	7,542.8	7,550.6	7,537.5	7,549.0	7,558.0	7,596.9	7,614.5	7,612.0	7,643.1	7,651.6	7,642.3	7,689.5	7,700.0
% Chg Previous Month SAAR	9.1	1.2	-2.1	1.8	1.4	6.4	2.8	-0.4	5.0	1.3	-1.4	7.7	1.7
% Chg Same Month Last Year	3.1	3.4	3.1	3.1	3.2	3.4	3.0	2.7	2.9	2.9	2.6	2.7	2.1
CPI, All Urban (1982-84=100)	184.6	184.9	185.8	186.3	187.2	187.6	188.8	189.4	189.3	189.4	189.7	190.9	191.2
% Chg Previous Month SAAR	-1.9	2.0	6.0	3.3	6.0	2.6	8.0	3.9	-0.6	0.6	1.9	7.9	1.9
% Chg Same Month Last Year	1.8	1.8	2.0	1.7	1.7	2.3	3.0	3.2	3.0	2.7	2.5	3.2	3.6
US Retail Sales (mil 84\$)	322.0	321.5	323.9	327.0	333.8	331.1	335.9	333.5	336.9	336.1	341.5	345.0	345.3
% Chg Previous Month SAAR	20.0	-1.9	9.5	12.0	28.1	-9.2	18.8	-8.2	12.9	-3.1	21.1	13.3	0.8
% Chg Same Month Last Year	7.3	6.1	6.3	8.5	8.6	7.5	9.3	6.8	6.9	4.7	7.7	8.8	7.2
Manufacturing & Trade Sales (000s)	888.5	895.2	894.4	898.8	921.9	916.1	916.9	920.2	925.4	928.7	930.5	929.2	*932.2
% Chg Previous Month SAAR	7.7	9.4	-1.0	6.1	35.6	-7.4	1.1	4.4	7.0	4.4	2.3	-1.7	3.9
% Chg Same Month Last Year	4.3	5.4	4.7	7.2	8.8	8.0	7.5	6.4	5.5	6.4	5.9	5.2	4.9
US Consumer Expectations (1966=100)	88.1	89.8	100.1	88.5	88.8	87.3	81.6	88.5	91.2	88.2	88.0	83.8	85.2
% Chg Previous Month AR	104.5	25.8	268.0	-77.2	4.1	-18.5	-55.5	164.9	43.4	-33.1	-2.7	-44.4	22.0
% Chg Same Month Last Year	12.2	11.1	37.5	26.6	27.6	10.1	-10.7	2.4	9.0	6.9	8.9	1.0	-3.3
Ave. Prime Interest Rate (% NSA)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.42	4.58	4.75	4.93

*ARIMA estimation